

Worksheet 8

3.4 Spending, saving and borrowing

1. Match the following economics terms and concepts with their correct definitions and descriptions below.

A Utility

B Consumer expenditure

C Saving

D Dissaving

E Real disposable income

F Private wealth

G Experience goods and services

H Savings ratio

I Personal debt

J Collateral

K Insolvent

The inability to pay off debts because a person or business has run out of cash and assets it can easily convert into cash

Satisfaction gained by a consumer from his or her spending and saving decisions

Total savings in an economy as a proportion of total disposable income

The total stock of money borrowed by individuals or households they have yet to repay

Personal income remaining after income taxes have been deducted and after the effect of inflation on its purchasing power has been accounted for

The stock of physical and financial assets of value owned by individuals

Total spending on consumer goods and services

That portion of disposable income not spent on the current consumption of consumer goods and services

A product with characteristics that are difficult to observe and, therefore, their impact on utility is difficult to judge prior to their consumption

Property or other valuable assets that are offered to a lender to secure a loan or other credit. It provides a lender with protection against the borrower's default (i.e. failure to repay)

Withdrawing savings to spend on consumer goods and services

2. Suggest three reasons why people will save money rather than spend it.

i)

ii)

iii)

3. Explain two reasons why an increase in interest rates may reduce total consumer expenditure in an economy.

i)

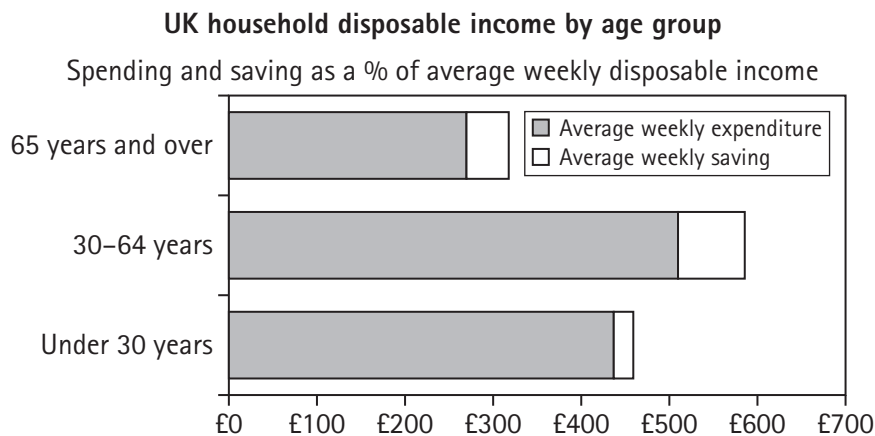
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ii)

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4. Look at the chart below.



a) Suggest three reasons why the amount people spend and save differs according to their age.

i)

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ii)

iii)

b) List three other factors that might explain why two consumers of the same age and with the same level of disposable income may have very different spending and saving patterns.

i)

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ii)

iii)